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ARED

Economic and Social Research for Rural America

News

Agricultural and Rural Economy Division
Economic Research Service
U.S. Department of Agriculture

Winter 1992



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ARED News

Winter 1992

Economic and Social Research for Rural America

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ARED DIRECTORY

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Economic Research Service
U.S. Department of Agriculture
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Branch Chief: Thomas Carlin	219-0527
Agriculture and Community Linkages Section: Fred Hines	219-0525
Agriculture Labor Section: Leslie Whitener	219-0527
Farm Structure Section: Donn Reimund	219-0522

Farm Sector Financial Analysis Branch

Branch Chief: James Johnson	219-0800
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Farm Costs and Returns Section: Mitchell Morehart	219-0801
Farm Financial Analysis Section: Duane Hacklander	219-0798
Farm Firm and Household Well-Being Section: Mary Ahearn	219-0807
Farm Income Estimation Section: Roger Strickland	219-0804

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Rural Finance and Tax Section: Ron Durst	219-0897

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Rural Industry Section: G. Andrew Bernat	219-0539
Rural Labor Section: Paul Swaim	219-0552

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Agriculture and Rural History Section: Douglas Bowers	219-0787
Macroeconomics Section: Ralph Monaco	219-0782
National Aggregate Analysis Section: Gerald Schluter	219-0785

ARED REFLECTIONS

Work Force Diversity

By Sara Mazie, Acting Associate Director



Sara Mazie

Last spring the Division initiated a new "Action Program for Minorities and Women" to facilitate ARED's commitment to diversify its research staff. Under the program, ARED will assist minorities and women as they pursue advanced degrees in disciplines in which ARED carries out research. In supporting these students during their academic training, the program is designed to increase the pool of minorities and women from which the Division recruits.

ARED staff will work closely with individual colleges and universities who share our commitment to helping minorities and women pursue their education in economics, agriculture, economics, sociology, geography, planning and related disciplines represented by our current staff. Under the program, ARED provides students financial support, usually through a cooperative research agreement in which they will participate. Supported students are expected to spend some time at ERS in Washington as paid interns. The time spent at ERS gives the students research experience outside of an academic setting and familiarizes them with the Agency and our research program. Receiving a fellowship does not imply any long-term employment obligation on the part of either the student or the Division, but we certainly hope some students will eventually join our staff. To date three students are being supported under the program.

"... ARED will assist minorities and women as they pursue advanced degrees in disciplines in which ARED carries out research."

The Action Program was initiated not only because of our commitment to giving minorities and women the opportunity to develop professionally, but also because of our belief that the Division would be a stronger, more productive organization if its staff is highly skilled and has the range of experience and background that diversity implies. Having a diverse staff will facilitate our ability to take advantage of the increasingly diverse national work force from which we will be hiring in the years ahead.

"... time spent at ERS gives the students research experience outside of an academic setting ..."

Maintaining a workplace that is friendly to diversity is a critical companion to the Action Program and one that is equally important. In the simplest terms, ultimately the success of our diversification initiative will depend on our having a work environment that is supportive of a diverse work force, one in which we all respect and appreciate differences in skills, background, experience, and life styles. Unless the people we sponsor through the Action Program find the Division a supportive and open-minded, as well as stimulating and challenging, place to work, they will not stay. We need to create a workplace that helps them continue to develop both personally and professionally once they join our staff.

"... the success of our diversification initiative will depend on ... a work environment that is supportive of a diverse work force ..."

The importance of having a supportive and open environment is equally important for the rest of us. We are already a diverse and talented staff in background, training, personal skills and interests. It is important for us to recognize and appreciate the diversity of our talents. It is also important to have an environment in which each of us is encouraged to use and enhance those skills and develop new ones. One obvious way to do this is for all of us to think about how we might improve our skills as we prepare our individual development plans (IDP) and discuss them with our supervisors.

What kind of training would help us develop as individuals and make us more effective members of the staff? While the IDP's emphasize formal training, most learning takes place on the job, so it also is useful for us to consider how we might create opportunities for ourselves and others to learn as we work. This means taking the time to learn a particular research technique, a new issue, or a feature of WordPerfect, and to help others learn and use new skills. We all benefit from supporting each other. Individually, we will develop personally and professionally; collectively, we will be a more productive Division. Working effectively as teams and drawing on the special talents each of us has to offer, we can make greater contributions to the work of the Division.

ARED PUBLICATIONS

Rural Development Perspectives

Call for Papers

Rural Development Perspectives is soliciting manuscripts on research related to rural development. *RDP* articles are intended for a diverse audience of researchers, regional planners, and local, State and Federal government officials.

Rural Development Perspectives functions as a juried journal. Our editorial board of researchers from the Agricultural and Rural Economy Division (ARED) of ERS carries out a blind review of submitted manuscripts. Manuscripts must be research-based, technically sound and related to rural development. Articles in *Rural Development Perspectives* are often based on previously published work and are written in a non-technical, straightforward manner. The Editorial Board suggests submitting articles as published, if applicable, so that we can assist authors in revising manuscripts to *RDP* style.

Papers may be submitted to:

Molly Sizer Killian, Executive Editor
Rural Development Perspectives
ERS-ARED, Room 328
1301 New York Ave, NW
Washington, DC 20005-4788

Call for Photos

We invite our colleagues to send us black and white photographs to illustrate articles and covers of Division publications, including *RDP* and *ARED News*. Clear, sharp contrast black and white pictures that reproduce well are welcome. Researcher's field trips are a possible source of pictures of small Main Street businesses, rural banks, manufacturing plants, and other rural development subjects. Photos needed to illustrate upcoming articles in *RDP* include urban development in adjacent nonmetro counties, high-tech and low-tech jobs, and health and medical services in rural areas. If you have any questions about the appropriateness of subject matter for photos, please call Louise Stutzman at 202/219-0520. Copies of a list of generic photo subjects are available upon request.

Rural Conditions and Trends Report

In This Issue

The Fall 1991 issue of *Rural Conditions and Trends* contains the following articles:

OVERVIEW: "Recession Hit Rural Areas No Harder than Urban," by Linda Ghelfi (HRI). Rural and urban areas experienced about the same rates of declining employment and increasing unemployment during the latest recession. Recent national growth in manufacturing is a hopeful sign for rural recovery.

NATIONAL ECONOMIC CONDITIONS: "Recovery Gains Ground," by Karen Hamrick (NEH) and Ralph Monaco (NEH). Since the second quarter, when the recession probably ended, production and income have risen and employment has remained stable. The prospect is for continued moderate growth and slowly receding unemployment.

EMPLOYMENT: "Rural Employment Down," by Paul Swaim (HRI). Rural employment fell by 280,000 workers between the first halves of 1990 and 1991, as the national recession hit rural areas. Employment declines were largest for the young, men, and Blacks. Growth of the rural labor force also slowed to a near standstill.

UNEMPLOYMENT: "Rural Unemployment Up in First Half of 1991," by Timothy Parker (HRI). Rural unemployment increased considerably during the first half of 1991 compared with the same period a year earlier. The rise in unemployment was especially large for teenagers and Blacks. The number of involuntary part-time and discouraged rural workers also increased.

Rural Conditions and Trends is published four times per year. The subscription price is \$14 for 1 year. Send check or money order to:

ERS-NASS
Box 1608
Rockville, MD 20849-1608.

Or call toll-free: 1-800-999-6779.
Make check or money order payable to ERS-NASS.
You can charge your subscription to VISA or MasterCard.

OFFICE OF THE DIRECTOR

Papers Presented and Meetings Attended

As chair of the Organization for Economic Cooperation and Development's (OECD) Project on Rural Development, **Ken Deavers** was in Paris for the first week of October. He participated in meetings with staff of the Project on Rural Development and with several countries' delegations.

On October 11th, **Molly Killian** and **Leslie Whitener** (FRE) attended the annual meeting of the Regional Research Project S-229. The meeting titled, "The Changing Structure of Local Labor Markets in Nonmetropolitan Areas: Causes, Consequences, and Policy Implications," was held in Jacksonville, FL. Technical committee members discussed the timing of and funding for the acquisition of a 1990 Public Use Micro Sample with Labor Market Areas; members also debated issues involving the renewal and continuation of the project. The afternoon sessions presented three labor market-related research projects.

Ken Deavers attended a November meeting sponsored by the Rural Economic Policy Project at the Aspen Institute. The meeting was titled "Future Competitiveness of the U.S. in Global Markets," was held in Berkeley Springs, WV, and featured a presentation by **Lester Thurow**.

Ken Deavers reviewed a draft report for the Secretary General of OECD, which was the principal topic at a meeting he chaired in Paris during the first week of December. **Sara Mazie** was the U.S. delegate to this meeting.

Briefings and Miscellaneous

Ken Deavers presented a seminar in October to ARED staff on ERS's involvement in the OECD's Rural Development Project. The history of the Rural Development Project and its future directions were discussed.

In October, **Sara Mazie** and **Ken Deavers** met with Dr. **Kenji Ozawa**, Director of the Foreign Agriculture Division of Japan. They discussed U.S. rural conditions, the role of agriculture in rural areas, and the status of rural policy.

Also in October, **Sara Mazie**, **Tom Carlin** (FRE), and **Andy Bernat** (HRI) participated in a briefing of Russian scholars from the Agrarian Institute of Vaskhnil in Moscow. The briefings were coordinated by ATAD. Recent trends in rural population and employment growth, the industrial structure of rural economies, and the effectiveness of various rural development strategies were discussed.

David Harrington presented a seminar on December 5 at the Agricultural Economics Department at Purdue University. The subject was Canada's Gross Revenue Insurance Program.

Personnel Actions

Peggy Ross joined the Office of the Director in December, following the dissolution of the Income and Well-Being Section of the Human Resources and Industry Branch. She is in charge of the analysis and update of the county typology codes.

FARM AND RURAL ECONOMY BRANCH

View From The Branch

By **Tom Carlin**, Branch Chief

We had a number of staff changes during the last half of 1991. Please join me in extending a warm welcome to **Jackie Salsgiver** who recently joined our Agriculture and Community Linkages Section. **Sharon Davis** has resigned from Government to pursue other interests. For the last five years Sharon served first as Secretary to the Branch Chief and then as Branch Office

Manager; she kept me out of a lot of trouble during that time. We wish Sharon well in her future endeavors. **David Henderson** resigned from ERS to take a position as research and extension associate at Ohio State University Piketon Research and Extension Center. We welcome back **Tiffany Mills**, Office Automation Clerk, who has returned following the birth of her son, Nicholas. **Susan Bentley** migrated to Farm Sector Financial Analysis Section (FSFA) for a year to learn more about the internal operations of the Farm Costs and Returns Survey. We are also pleased to have

Yoshihiro Tamehiro in residence with us this winter. Tamehiro is an agricultural engineer employed by the Ministry of Agriculture, Forestry and Fisheries, in the Japanese Government.

Wendell Holmes, Margaret Butler (HRI), and I have been exploring a question posed by several users of ARED research. Some of our research suggests that 7farm household incomes have reached parity with all U.S. households. Some of our customers suggest, however, that a more appropriate comparison is between farm household incomes and nonfarm proprietor household incomes, rather than all U.S. households. This is because earnings of nonfarm proprietors, like farmers, reflects returns from labor, capital, and entrepreneurial skills. Most U.S. households rely on income from labor, and wages and salaries for family living.

We explored the comparisons using data from the 1990 March Current Population Survey. For 1989, the data reveal that the total median income of households with farm earnings was \$35,086, below that of households with nonfarm proprietor earnings, whose total median income was \$39,705. Median income of farm households did exceed the average total median income of \$30,135 for all U.S. households. The farm group, as a whole, had total incomes on par with households whose only earnings were from wages and salaries and averaged \$35,741. Households primarily dependent on farm proprietor earnings for more than 50 percent of total income, had an average median income of \$30,086. This matched the total median incomes of all households, but was well below those of households with only wage and salary earnings.

There were differences in the composition of incomes between the two groups of households with proprietor earnings and in the extent to which the groups "depended" on their respective earnings. Some of these differences are associated with factors other than self-employment. For example, second earners in households with nonfarm proprietor income, who are more likely to be located in metropolitan areas, may have access to better paying jobs than is true for the farm group, thus contributing to higher household income. Observed differences between the groups reflect, in part, structural differences among local labor markets. Federal farm policies can do little to alter basic structural differences between metropolitan and most nonmetropolitan labor markets.

Agricultural and Community Linkages Section

Research and Analysis

Dennis Brown is currently investigating changes taking place in the red meat and poultry industries and how they affect the economies of local communities. He has studied counties which specialize in production agriculture and value-added operations (red meat and poultry processing). Counties with established red meat and poultry industries appear to do better in terms of income and employment growth than do those counties with more recently developed industries. These findings emphasize the importance of maintaining long-term production and processing capabilities in the red meat and poultry industries. Dennis hopes to publish this research as an Agricultural Economics Report.

Publications

Alex Majchrowicz and Dave Hopkins (DSC) completed a revision of FRE's farm and farm-related employment database for 1975 and 1981-88, the only years for which the data are available. This work has already been used as background materials for speeches given by Secretary Madigan and Deputy Secretary Veneman, and to fill numerous information requests. The new employment estimates are contained in the Agriculture Information Bulletin, *U.S. Farm and Farm-Related Employment in 1988: How Large, Important, and Regionally Different?*, published in December.

The new employment estimates differ from those previously released by FRE because they use the 1987 revised Standard Industrial Classification (SIC) codes. SIC revisions resulted in mergers of some industries and creation of others. Nonfarm proprietors are now included in the data producing better estimates of both total U.S. employment and total farm and farm-related employment. Past employment estimates were based on data that counted wage and salary jobs, but excluded the self-employed in all industries other than farming.

Briefings and Miscellaneous

Judith Sommer and Mindy Petrulis along with Betsey Kuhn, James Hrubovcak, Matthew Rendleman, Hyunok Lee, and Neil Hohmann (all of RTD) visited five ethanol production plants in the West and Midwest to get information on ethanol production and technology. Ethanol, an alcohol fuel made from a variety of agricultural feedstocks (primarily corn), enhances octane when blended with gasoline and offers benefits

in three policy areas: (1) environmental quality, (2) energy security, (3) and stabilization of farm income.

The group represented a team of 14 ERS researchers exploring the prospects and consequences of doubling ethanol production to 2 billion gallons by 1995 and increasing to 5 billion gallons by the year 2000. ARED is responsible for estimating the increase in employment that will result in the agricultural sector and from the construction and operation of additional ethanol plants.

The group met with management at:

(1) the Golden Cheese Company, Corona, CA, which produces 2.7 million gallons of ethanol annually from cheese whey that would otherwise be disposed of as effluent;

(2) Reeve Agri-Energy, Garden City, KS, which produces 2 million gallons of ethanol; an animal feed byproduct for the 17,000 cattle in the Reeve feedlot operation; and sufficient excess heat to warm fish ponds in their aquaculture operation;

(3) New Energy of Indiana, South Bend, IN, which produces 70 million gallons of ethanol annually from 26 million bushels of corn from damaged grain, mainly milo;

(4) Pekin Energy Company, Pekin, IL, which is a joint venture of CPC International (a food processing company) and Texaco and which will increase production from 85 to 100 million gallons in 1992 and is considering building a new 100 million gallon plant; and

(5) Archer Daniels Midland Company, Decatur, IL, whose four plants in Illinois and Iowa account for about three-fourths of the industry's total output.

Upcoming Events

Jackie Salsgiver is planning to present her paper, "Growth Patterns of Adjacent Nonmetro Counties in the 1970's and 1980's" at the Western Regional Science Association Meeting in February at Lake Tahoe. She is also co-authoring an article with Alex Majchrowicz on farm and farm-related employment for the March issue of *Agricultural Outlook*.

Personnel Actions

Jacqueline Salsgiver joined the Agriculture and Community Linkages Section in September. She was previously working in the Human Resources and Industry Branch. Jackie has B.A.'s in Economics and in Government & Public Service, from Indiana University of Pennsylvania. She did graduate work in Economics on an M.A. at the University of Maryland through part-time coursework. Jackie is originally from Greensburg, Pennsylvania.

Agricultural Labor Section

Papers Presented and Meetings Attended

Jack Runyan attended the October meeting of the Interagency Committee on Migrants, hosted by EPA in Crystal City, VA.

Leslie Whitener and Molly Killian (OD) attended the annual meeting of the S-229 Technical Committee in Jacksonville, FL, in October. The S-229 Committee is preparing to publish a book that examines the changing structure of local labor markets in nonmetropolitan areas. Leslie discussed findings from her chapter, "Off-farm Employment Opportunities for Farmers: A Labor Market Area Analysis," co-authored with Tim Parker (HRI). The Committee also discussed negotiations underway with the Bureau of the Census to update the labor market delineations using 1990 Census data.

Briefings and Miscellaneous

Jack Runyan is a member of the USDA work group on EPA worker protection standards. The aims of the group are: (1) to evaluate EPA's farmworker pesticide safety standards and accompanying regulatory impact analysis, (2) to present the findings to EPA, and (3) to negotiate an agreement on differences between USDA and EPA. John R. Schaub, (RTD) is also a member of the work group.

In December, Leslie Whitener, along with other ARED personnel, met with the Chairman and the Chief Economist of the Israel Farmers' Organization of the Cooperative Sector. The Farmers' Organization is currently drafting legislation to address several farm-related issues in Israel. Dave Harrington (OD) provided an introduction and overview on U.S. agriculture, Fred Hines (FRE) spoke about farm structure and the nonfarm economy, Mary Ahearn (FSFA) and Janet Perry (FSFA) talked about farm household well-being, Leslie Whitener reviewed current U.S. policy on minimum wage and unemployment insurance for farmworkers, and Pat Sullivan (FDP) provided insights into the U.S. farm finance sector.



Sunflowers

Farm Structure Section

Research and Analysis

The 1991 report on the status of the family farm, prepared by **Nora Brooks** and **Neal Peterson**, examines changes in the concentration of agricultural production since 1900. The report also examines some of the causes of those changes which have increased centralization and concentration of both acreage and production.

The study uses data from the 1900, 1940, 1969 and 1987 Censuses of Agriculture since the census comprises the longest historical record of evolving farm size in the U.S. Value of production and acreage distribution are used as the statistical base.

To measure concentration, the authors chose the Gini coefficient because of its prominence in studies of inequality and because it is particularly sensitive to changes near the mode of the distribution (since the bulk of net farm exits were in the small and midsize categories). Lorenz curves were also used as a graphical representation of changing concentration.

Some of the findings are:

- (1) The concentration of value of agricultural production in the U.S. steadily increased during this century, as measured by the Gini coefficient.
- (2) As measured by the Gini coefficient, acreage has also increased, however, around 1950, the rate of increase slowed to less than half its former rate.
- (3) Every State experienced concentration. The Upper Midwest and Northern Plains preserved a more equal distribution of farm sizes than the West, South and Northeast.

Fred Gale and **Neal Peterson** are working with the longitudinal data file constructed by linking records from the 1978, 1982, and 1987 Censuses of Agriculture. The data will be used to study entry, exit, and farm growth and shrinkage over the 1978-87 period. Fred and Neal are using subsets of the data from Wisconsin dairy farms and North Dakota wheat farms to study how farm size, growth, entry, and exit change over the life cycle of the farm operator. Most entries are by farmers about 25 years old, followed by rapid growth in farm size at a decreasing rate over time until the farmers are in their late 40's or 50's, when farm size starts to decline. The exit rate is fairly constant with the farmers' age until about age 58, when it increases sharply.

Publications

Nora Brooks had an article published in the October 1991 issue of *Agricultural Outlook*. The article, "In Search of the Family Farm," examines the characteristics of midsize farms which are often associated with the family farm. While the number of midsize farms has been declining, they are still an important part of U.S. agriculture. In fact, according to the 1987 Census of Agriculture, midsize farms, which have sales of \$50,000-249,999, comprise 20 percent of all farms, 40 percent of all land in farms, and 34 percent of the total value of farm product sales. They are concentrated in the Lake States, Corn Belt, and Plains, and tend to specialize in the production of cash grains, livestock, and dairy.

Papers Presented and Meetings Attended

On November 26, **Alan Bird** presented a paper "The Future of the Heartland--a Co-op Challenge" at the Annual Meeting of the Iowa Institute for Cooperatives in Ames, IA. The speech pointed out the dominant role of large farms in food production in the United States, including the Heartland of Minnesota, Iowa,

Missouri, North Dakota, South Dakota, Nebraska, and Kansas. Alan's findings include:

- (1) Farm size stabilized during the 1980's.
- (2) Smaller farms became more competitive with large farms in food production.
- (3) Increased efficiency of smaller farms, along with continuing population loss, resulted in fewer local nonfarm jobs and community services.

Alan proposed a radical solution to the conditions facing the Heartland. It is to create a new lifestyle, in

which farmers and rural residents would move to or near cities. They would work in the cities, where more jobs are available, and commute periodically to their farms.

Personnel Actions

Alan Bird returned in October from leave during which he completed requirements for certification to teach social studies at the high school level. He was a student teacher of high school economics, psychology, world history, and geography. He received several cards and a gift mug inscribed, "Grade A Teacher."

FARM SECTOR FINANCIAL ANALYSIS BRANCH

View from the Branch

By James Johnson, Branch Chief

Two bulletins released in December reflect the Branch's on-going commitment to improve the dissemination of economic data series on the farm sector, businesses, and households. Agricultural Information Bulletin 634, *U.S. Average Costs of Production for Major Field Crops*, contains some "firsts" for the Department's cost of production program. These "firsts" include: (1) preliminary estimates of the costs incurred in producing the current year's crop, (2) estimates from primary survey data made in the same year that it was collected, and (3) estimates of data reliability. To my knowledge this is the first time that the Department has developed estimates of its commodity costs and returns in a way that a measure of sampling error could be developed.

Changes were also made to the publication, *National Financial Summary*, to make it more useful in policy analyses. First, a summary table was added that provides information about the farm sector's income situation, and directs the user to the appropriate place in the bulletin to find more detail for any specific item. Second, a sales class for farms of \$1,000,000 and over was added. Third, cash receipts data were disaggregated to provide information for commodities supported by direct Government payment and price-support programs, and for commodities not supported. These changes will provide a clearer perspective about the sources of income for farm operations of different economic sizes and production specialties.

This fall the Branch answered many requests for data, data analysis, and explanations of methods and data

underlying the economic data series we prepare.

Requests came from the General Accounting Office (GAO), Agriculture Canada, and several universities. GAO made two special requests. First, they wanted information about the design and use of the Farm Cost and Returns Survey (FCRS). In response, we cited several hundred papers, articles, bulletins, and staff requests prepared in the past five years that used FCRS as a primary data source. Second, GAO asked for data on the distribution of costs of production and the characteristics of farms that produce various program commodities.

For several years, the FSFA Branch and Agriculture Canada have exchanged information on methods used to estimate income, assets, liabilities, and commodity costs of production. Recently, Branch and Agriculture Canada personnel have been developing an identical modeling approach to develop comparable estimates of the costs of growing wheat in the Northern Plains States of the U.S. and Saskatchewan. These data should prove useful in applied policy assessments. Also, Branch and Agriculture Canada staff are preparing a report that compares structural and financial characteristics of various types and sizes of farm operations in the U.S. and Canada.

The 1991 FCRS survey questionnaires are designed to obtain data on farm production expenses and capital expenditures; field and cultural practices for corn, cotton, barley, peanuts, and tobacco; the allocation of labor to farm and nonfarm activities by farm operator households; farm health and safety; household economics; and demographic characteristics of farm operators and their spouses. Staff from the Resources and Technology Division (RTD), the Commodity

Economic Division (CED), and ARED (specifically FSFA and FRE) will implement this year's survey. This broad agency participation reflects how widely the FCRS is used in providing primary data to support estimates, staff analyses, and research activities.

Branch Office

Briefings and Miscellaneous

In October, **Jim Johnson**, Bob Milton, and Doug Kleweno (both of NASS) met with Dr. Mostafa Abdellatif Bedier and Dr. Morsy Aly Fawzy Morsy, researchers with the Agricultural Economics Research Institute and advisors to the Economics Component Director of the National Agricultural Research Project of the Egyptian Ministry of Agriculture. The group discussed farm income and costs of production.

Jim Johnson discussed the current situation of U.S. farms and their business incomes to a delegation of Japanese officials. The briefing was coordinated by the Japan-America Leadership Exchange Committee and OPM's Presidential Management Intern Program. Other topics covered at the October 30 briefing were commodity programs, U.S. agricultural trade policy, GATT Uruguay round trade negotiations, U.S.-Japan agricultural trade relations, and the current status of U.S. farmers.

Economic Indicators Forecasts Section

Research and Analysis

Bob Dubman, in charge of the financial components of USDA's Baseline project, is working on the Winter Baseline project. He also applied the Baseline model framework to our shortrun income forecasting model. The results are so promising that conversion to the new model is expected in early 1992, saving at least half the Section's resources.

Publications

In September, **Bob Dubman** released the *Agricultural Income and Finance Situation and Outlook* (AFO-42), which featured a special section on State-level income and balance sheet estimates. The Fall issue of *ARED News* asked Division researchers to consider the AFO as a possible outlet for publication. The response was excellent; the December AFO includes 9 special articles, with each ARED Branch represented. The Finance and Development Policy Branch (FDP) is coordinating the next issue of the AFO due the end of May, 1992.

Contact Bob at 202/219-0807 if you are considering an article for the May issue.

Papers Presented and Meetings Attended

Bob Dubman attended September's Federal Forecasters' Conference in Washington, DC.

Bob McElroy delivered a talk on the 1992 outlook for farm incomes at December's Outlook Conference. Highlights included:

(1) After rising each year from the mid-1980's through 1990, nominal (current dollar) net cash and net farm incomes for 1991 and 1992 are forecast to return to their 1988-89 levels. Lower livestock receipts, lower Government payments in 1991, and continued expense increases will combine to leave net cash income at \$58 billion in 1991, and \$52 to \$57 billion in 1992. Net farm income is forecast at \$44 billion in 1991 and \$40 to \$46 billion in 1992.

(2) Although these forecasts reverse the direction nominal incomes have taken lately, they are still at levels exceeding all but those of just 2 or 3 years ago. When general inflation is considered, real cash incomes have eased downward for the past 4 years. However, when viewed over the longer term, real cash incomes are still above those of the early 1980's and on the same long-run trend since the 1950's.

Personnel Actions

Since losing **Diane Bertelsen** in August, the Section has been working frantically to carry on the day-to-day forecasting duties. We hope to have a new person on board this winter.

Farm Costs and Returns Section

Research and Analysis

Dargan Glaze visited Saskatoon, Canada, to work with Richard Schoney of the University of Saskatchewan and Greg Strain of Agriculture Canada to work on a research project that compares costs of production of wheat in the Northern Plains of the U.S. and Saskatchewan, Canada.

Michael Salassi completed a study of U.S. rice production practices and costs. The report, *Rice Production Practices and Costs in Major U.S. Rice Areas, 1988*, includes information about production practices on planted rice acreage, tillage operations on planted

rice acreage and set-aside acreage, total production costs including and excluding government payments, and the distribution of variable cash production costs across farms in six major rice-producing areas. The report will be published in early 1992.

Mitch Morehart and **Susan Bentley** worked with **James Richardson** (Texas A&M) and **Joe Trujillo** (University of Missouri) on a joint project which examined the comparability of panel farm data and information from the Farm Costs and Returns Survey (FCRS). Results suggest that there were small differences between farms that were assembled from panel data and averages for similar strata compiled from the FCRS sets of farms which are similar to panel farms that they have surveyed.

Bill McBride has made available a database of 1990 soybean production costs and practices to those interested within ERS. The database includes regional and State information for mixed, dryland, and irrigated soybean farms. Information on individual production costs and practices is accompanied by sample size, farm representation, and coefficient of variation.

Publications

Mitchell Morehart and Cost of Production Staff published a report describing U.S. average costs of production for major field crops. Estimates for 1989, 1990 and forecasts for 1991 were provided for peanuts, cotton, rice, corn, soybeans, grain sorghum, wheat, oats and barley.

Gerald Whittaker and **Mitchell Morehart** published an article in the *Agricultural Finance Review*, "Measuring the Effect of Farm Financial Structure on Cost Efficiency". In the study, data envelopment analysis (DEA) was determined to be an effective technique for measuring the effects of financial constraints.

Papers Presented and Meetings Attended

Mitchell Morehart presented a paper describing financial conditions in the 1990's at the annual Outlook Conference in December.

Briefings and Miscellaneous

Susan Bentley attended a three-day training for EEO Advisory Committee members in early October.

Susan Bentley organized a seminar for a delegation of Swedish agricultural authorities and organizations in late September, at the request of the U.S. Information Agency. The group, which is studying the status of women in rural areas, was welcomed by **Sara Mazie**

(OD). **Mary Ahearn** (FSFA), **Leslie Whitener** (FRE), and **Tim Parker** (HRI) spoke on related topics.

Gerald Whittaker gave a Washington Statistical Society seminar on the application of DEA and kernel density estimation methods to the measure of the effect of Government programs on farm financial performance.

Upcoming Events

Section staff are preparing to train State survey statisticians for the 1991 Farm Costs and Returns Survey. Two regional workshops will be held during January.

Farm Financial Analysis Section

Research and Analysis

While attending the Outlook Conference in December, **Julie Grimard** of Agriculture Canada met with **Charles Barnard** to discuss their joint research project that compares financial characteristics of typical farm types in the U.S. and Canada. Types of farms and areas to compare were delineated and clarified. Results of this study will be presented at the Canadian Farm Management Association Meetings.

Publications

Ken Erickson coordinated the Section's endeavor to publish a consistent time series of balance sheet data by sales class. Major input to this project was supplied by **Janusz Kubica** and **Helen Devlin** of DSC. The results have been published in Statistical Bulletin No. 831, *Farm Sector Balance Sheet, Including Operator Households, 1960-89, and Excluding Operator Households, 1974-89: By Sales Class*. This bulletin complements the recently published balance sheets for each State from 1960 to 1989.

Papers Presented and Meetings Attended

Charlie Barnard attend the National Agricultural Credit Committee Meeting in Chicago in September.

Jim Ryan presented the 1992 outlook for the balance sheet of the farm sector at the 68th Annual Agricultural Outlook Conference. The paper was co-authored by **Ken Erickson**. The outlook is for farm business assets, debt, and equity all to rise 1 to 2 percent in 1992. These moderate increases are projected to lag the general price level rise and result in real (1982 dollars) asset, debt, and equity levels declining 2 to 3 percent. Rates of return on equity and on assets are projected to continue at the relatively favorable levels of recent years.

Farm Firm and Household Well-Being Section

Research and Analysis

Mary Ahearn and Janet Perry have been working on the questionnaire design and documentation of the operator household characteristics section of the 1991 Farm Costs and Returns Survey (FCRS). The Farm Operator Resource version of the annual FCRS survey gathers data on financial characteristics of the farm business, detailed demographic information, off-farm employment of the farm operator and spouse, and number of labor hours spent in both farm and off-farm employment.

Hisham El-Osta has collaborated with Glenn Helmers and Muhammad Javed (both of the University of Nebraska-Lincoln) on two research projects pertaining to machinery selection using mixed integer programming, resulting in two papers. The first, "Cost of Machine Overcapacity in East-Central Nebraska," has demonstrated slight to minor cost sacrifices of overcapacity. The second paper, "Simultaneous vs. Extended Use of Crop Machinery-Effect on Optimum Sets and Cost," has found no significant cost advantage of using a set of farm machinery on multiperson farms on an extended hours basis compared to using multiple machinery sets in a simultaneous use frame work on same farm sizes.

Briefings and Miscellaneous

As part of ARED's Action Program for Women and Minorities, the Section has a cooperative research agreement with Rick Weldon and Chuck Moss of the University of Florida's Food and Resource Economics Department to study the extent of outside equity in agriculture, the factors affecting the availability of outside equity, and the implications for the farm sector. The initial phase of the agreement will include a comparison of various approaches to the measurement of farm financial performance. The agreement supports two graduate students, Sean Chance and Harold Ballou, who will work with FSFA staff during the summer of 1992.

Mary Ahearn travelled to the University of Florida in November to further discuss the implementation and mutual expectations of the agreement and to interact directly with the two graduate students who will be supported under the agreement. Mary also gave a brown-bag seminar to graduate students and spoke to college seniors about employment opportunities in

ERS. In December, Rick Weldon met with Mary and other FSFA staff in Washington, DC, about the cooperative work.

Upcoming Events

Janet Perry and Dean Schreiner (Oklahoma State University) will have an article published in the Oklahoma Agricultural Economics Association's *Current Farm Economics*. Titled "Analysis of Earnings for Males with Comparisons to Farm Operators and Farm Workers," the article is a result of work done by Janet on her doctoral thesis at Oklahoma State University.

The study focuses on results of a national survey of earnings from the primary occupation of adult males. Farm families may be acting in an economically rational manner if adult males choose to be farm operator or farm worker, even though they are qualified to work other occupations where earnings are higher. The article showed age earnings profiles for males in six different occupational groupings and the subsequent opportunity costs for farm family males in the occupations of farm operator and farm worker.

Two reports by Hisham El-Osta, et al., have been accepted for presentation at the SAEA annual meeting in Lexington, KY, February 2-5, 1992.

Personnel Actions



Faqir Bagi

Faqir Singh Bagi joined the section on October 7 as an agricultural economist, with a research focus on farm household well-being. He came from the State Department, where he was a senior economist. He has also taught at North Carolina A&T and Tennessee State University. Faqir grew up on a farm in Punjab,

India. His B.S. and M.S. are from Punjab Agricultural University and his Ph.D. is from Ohio State University. Currently, he lives in Rockville, MD and Danville, PA. His wife teaches at Bloomsburg College in Pennsylvania and lives there with their two children. Faqir's hobbies are reading classical literature, landscaping and gardening, jogging, and, of course, travelling between Washington, DC, and Danville, PA.

Farm Income Estimation Section

Research and Analysis

Staff researchers have completed revisions to the income accounts incorporating data from the Agricultural Economics and Land Ownership Survey (AELOS) conducted as a follow-up to the 1987 Agricultural Census. This follows extensive revisions made a year ago using the 1987 Census of Agriculture and some preliminary indications of AELOS results. AELOS provided some much needed data that had not been available for 10 years. Selected statistics for major components of the income accounts were published in the August 1991 issue of *Agricultural Income and Finance Situation and Outlook Report*. A complete set of accounts were recently published in *Economic Indicators of the Farm Sector: National Financial Summary, 1990* and *Economic Indicators of the Farm Sector: State Financial Summary, 1990*.

The *1987 Census of Agriculture: Government Payments and Market Value of Agricultural Products Sold* was also revised. Linda Farmer and Chris McGath incorporated a number of procedural changes and refinements to the farm income estimates published in the two Financial Summaries. Obtaining census information on Government payments by sales class enabled Linda to more accurately determine the distribution of farms by income. She also created a new class for farms with sales of more than \$1 million in response to requests by data users, and combined sales classes at the lower end where distinctions were minor.

Two procedural changes were made in the production expense estimates prepared by Chris. Custom feeding fees paid by nonoperator commodity owners to farm operators, which were already included in farm-related income, were added to expenses. Also, most wages paid to farm operators were removed from hired labor expenses. AELOS data on landlord assets and expenses produced significant revisions in property taxes and net rent to nonoperator landlords.

Publications

The September, 1991 issue of *Agricultural Income and Finance Situation and Outlook* carried an analysis of factors contributing to the level and geographic distribution of 1990 farm sector income, including an article, "1990 State-level Income and Balance Sheet Estimates," by Roger Strickland, Bob Williams, Chris McGath, and Ken Erickson (FSFA).

Ranking of States and Commodities by Cash Receipts, 1990 by Roger Strickland, Cheryl Johnson, and Bob Williams was recently published. This is the first edition of a planned annual release. The publication presents two types of information derived from the cash receipts statistics for agricultural commodities within States. One type is the ranking of 25 leading commodities for each State and the U.S. according to the value of receipts. The second is the ranking of producing State receipts from each of the 25 leading commodities in the U.S. and for several major commodity groups. The ranking of commodities produced within a State provides indications of a State's production, physical, and economic environments. The ranking of States for a commodity provides information about the location of production, and its relative and regional importance.

In a special article titled "Why U.S. Farm Income is at Record High Levels" in the December 1991 issue of *Agricultural Income and Finance Situation and Outlook Report*, Roger Strickland and Cheryl Johnson explore the reasons why the two most widely used indicators of farmers' earnings -- net farm income and net cash income -- have attained new highs in each of the last four years. Even when expressed in constant dollars to remove the effects of inflation over the last four decades, indications are that farmers' real earnings, while not exceptional, are still favorable from a historical perspective.

Upcoming Events

Linda Farmer is coordinating a historical publication and data product that will give State farm income estimates from 1949 through 1990. Estimates of net cash income, net business income, and returns to operators at the State level for years prior to 1976 will be calculated and/or published for the first time.



Round barn near Wilton, WI

View from the Branch

By Pat Sullivan, Branch Chief

There are times when it would really be nice to begin the new year with a clean slate, having all of our unmet commitments magically erased on January 1. Perhaps a clean slate is a little extreme -- I guess I'd prefer that only certain items from 1991's collection of unfinished tasks be conveniently lost as we enter 1992. Items like the U.S. and Canada Free Trade Agreement credit subsidy calculations or the "View from the Branch" might never see the light of day in that event, perhaps making everyone better off. But as we enter the new calendar year, there are also a number of overdue projects whose completions I look forward to, preferably before 1993 arrives.

I hope to see several reports make it into clearance and into print this year. Of immediate concern is Supplement 2 of *Rural Conditions and Trends*, that deals with the current condition of rural financial institutions and markets. Planned for release last fall, this update was delayed when Cliff Rossi resigned. But with input from Doug Duncan, Jim McGlone, Jim Mikesell, Dan Milkove, and Cliff (giving us his new OTS perspective), a spring publication date is now planned.

The final volume in ARED's *Rural Development Strategies Report* series, dealing with business development strategies, has had a somewhat longer shelf life on the Division's work plans. But this joint HRI-FDP report should go through the clearance process soon and join the other purple-covered reports on education, infrastructure, and financial markets. Dave Sears and Andy Bernat (HRI) are editing the report, which includes contributions from current and former ARED employees.

There is even a rumor that Ron Durst will be wrapping up his update on tax policy developments soon. As Congress and the Administration wrestle over an election year tax package, Ron's report will explore some of the implications of previous legislation affecting the tax environment facing U.S. farmers.

These represent a few of the Branch products that are eagerly anticipated as we begin this new year. The next few months will bring significant progress on other Branch activities as well.

Many of the Branch's forthcoming reports are well beyond the draft stage. A special issue of *Policy Studies Journal*, edited by Norm Reid (OD) and Dave Sears,

should be available any day now. Dealing with "rural development strategies that work," it promises to be an informative addition to the literature. In addition, Branch members have authored or coauthored 19 other articles, chapters, and book reviews that have been accepted for publication in journals such as *The Review of Economics and Statistics*, the *American Journal of Agricultural Economics*, *Growth and Change*, the *Agricultural Finance Review*, and the *Review of Regional Studies*. Finally, strange as it may seem, some of our reports are being finished and published on schedule. The February issue of *Agricultural Income and Finance Situation and Outlook*, dealing with conditions, trends, and policy developments affecting agricultural lenders, should be available in February, thanks to the efforts of Jerry Stam (AKA *Il Duce*) and his staff.

Branch Office

Research and Analysis

In preparation for the U.S.-Canada Free Trade Agreement agricultural subsidy calculations, Doug Duncan, Jim Mikesell, Dan Milkove, Pat Sullivan, and George Wallace are collecting information on Federal and State agricultural credit programs. Each year credit-related data is collected and used to estimate the size of the subsidy these programs deliver to the U.S. agricultural sector.

Papers Presented and Meetings Attended

Pat Sullivan participated in the Southern Rural Development Center's annual board of directors meeting, held October 18 in Jackson, MS. While there, Pat also attended a conference on the "21st Century Survival of Rural America," sponsored by the Southern and North Central Rural Development Centers, the Council of State Governments, and the Farm Foundation. Speakers from several Federal Reserve banks, academic institutions, and both private and public research organizations presented warnings of the consequences of the long-term restructuring of the rural economy. Serious concerns were raised by several southern legislators over the possible effects of bank reform legislation and the North American Free Trade initiative.

Briefings and Miscellaneous

Doug Duncan and Pat Sullivan helped prepare testimony for the House Agriculture Committee on the possible effects the Financial Institutions, Safety, and Consumer Choice Act of 1991 could have on rural

banks and rural lending. Doug and Pat noted the importance of the commercial banking system as a source of credit to farmers and other rural businesses, and as a vehicle for delivering Federal and State assistance to rural America. After reviewing the available evidence on the structure and performance of the rural banking system, they argued that bank reform, as specified in H.R. 6, would not be detrimental to most rural communities. Nonetheless, the bill's holding company provisions could reduce banking competition in communities served by very small banks.

Steve Koenig and Pat Sullivan briefed representatives from the Agricultural Center of the Israel Farmers' Organization of the Cooperative Sector on the U.S. agricultural credit industry and Chapter 12 of the U.S. Bankruptcy Code.

Agricultural Finance Section

Research and Analysis

George Wallace and Janet Perry (FSFA) are identifying and matching characteristics of farm households and their lenders. The identifying characteristics include age, farm and off-farm income, and education. A paper and poster session are being prepared that will discuss lender biases toward certain types of customer households, the success of Farmers Home Administration in reaching its mandated clientele, and a spatial presentation of lender concentration by households type.

Ted Covey and David A. Bessler (Texas A&M University) are researching futures prices to see if they may be used to improve predictions of daily spot prices in the agricultural cash markets. They find financial futures prices useful. Information collected and analyzed during the trading day was shown to result in a more efficient (i.e. better informed) futures price. The results will be submitted for presentation to the Chicago Board of Trade for its annual spring seminar in 1992.

Steve Koenig and Jerry Stam are investigating the current status of life insurance company lending to U.S. agriculture. It has been a decade since the last detailed study was undertaken. Much has changed in life insurance company lending as a result of the farm financial crisis of the early to mid-1980's. This research will look at the changes, current price practices, and future options.

Douglas Duncan and George Wallace evaluated banks that consistently lent to agriculture throughout the

1980's and discovered that some were able to remain profitable despite the recession in the farm economy at mid-decade. The results will be reported in a forthcoming issue of the *Review of Regional Studies*.

Many rural community hierarchies are increasingly dominated by a few regional growth centers while the retail sector in adjacent smaller communities either stagnates or declines. George Wallace and David Henderson (Ohio State University) tested the hypothesis that the rate of adjustment of the retail sector to changing consumer spending patterns is uniform across differently ordered communities in a rural hierarchy. A three-tier 49 community hierarchy was constructed using data from the Minnesota Department of Revenue, and the Report of Condition and Income of the Board of Governors of the Federal Reserve System. The analysts found that the short run rate of adjustment in the retail sector is slower in smaller rural communities than in larger rural communities. The relatively faster rate of adjustment in the larger communities augments the ability of their retail sector to alter their supply and to adjust to the changing demand caused by the spatial shifts in consumer spending patterns furthering the development of regional growth centers in rural hierarchies. Results will appear in a forthcoming issue of *Growth And Change: A Journal of Urban and Regional Policy*.

Publications

Ted Covey's article "Managing Farm Lender Interest Rate Risk with Financial Futures" was published in the December 1991 issue of *Agricultural Income and Finance: Situation and Outlook* (AFO-43). The article discusses the impact of unpredictable interest rate movements on farm lender financial risk. It also explained how hedging might reduce farm sector financial risk by transferring part of its risk to speculators in the financial futures markets.

Profile of Participants In FmHA's Guaranteed Farm Loan Programs (AGES 9160), by Steve Koenig and Pat Sullivan, was released in December. The paper profiles the characteristics of borrowers and lenders participating the Farmers Home Administration's guaranteed farm loan programs during fiscal 1988. In addition, the terms and conditions of guaranteed loans made during that year are examined and compared to those available from other sources of farm credit.

Steve and Pat report that FmHA's loan guarantee programs generally serve large, highly indebted commercial-sized farm operators. Nearly twice as many guarantee program borrowers were rated as vulnerable to failure than all farm operators. While nearly half of all farm operators were classified as having a favorable

financial condition, only 12.2 percent of guarantee borrowers were classified as such. On the other hand, guarantee program borrowers were found to be in a stronger financial condition than are FmHA's direct loan customers.

"The FCS Crisis and Agency Security Yield Spread Response" by **Douglas G. Duncan** and Michael A. Singer (Texas A&M University) was published in the 1991 volume of *Agricultural Finance Review*. The authors review the behavior of selected Farm Credit System (FCS) security yields along with those of other Agencies with similar maturities during the period of FCS problems in 1985. It is observed that yields on securities of other Agencies reacted to the problems of the FCS. Results of the analysis lead the authors to conclude that investors were not concerned that FCS bond would go into default but rather that scheduled payments would be delayed. This is consistent with the "crisis at maturity" theory of bond yield behavior.

"The Farm Financial Crisis Revisited," is a review by **Douglas G. Duncan** and **Steve Koenig** of Neil Harl's *The Farm Debt Crisis of the 1980's*. It will be published in the Winter 1992 issue of the *Journal of Agricultural Economics*.

"Farmer Mac's Troubled Start" by **Steve Koenig** and **Jim Ryan** (FSFA) was published in the December issue of *Agricultural Outlook* (AO-181). The article discusses the difficulties that the secondary market for agricultural mortgages has faced and reviews proposals for changing the operation of the market. Farmer Mac's slow start is the result of a complex mix of economic and structural factors. Some of these factors include: (1) a weak demand for loans by farmers, (2) a cumbersome market structure, (3) relatively stringent underwriting standards, (4) commercial bank regulatory requirements, and (5) an ample supply of loan funds in the hands of agricultural banks.

Papers Presented and Meetings Attended

Jerry Stam, **Pat Sullivan**, and **George Wallace** attended the meeting of the National Agricultural Credit Committee in Chicago on September 16. Discussion included the changing role of the Farm Credit System, farmland value trends, the changing farm management industry, and farm lending in the 1990's.

Steve Koenig and **Doug Duncan** participated in the final meeting of the NC-161 Regional Research Committee on Finance in St. Louis, MO, on September 23-24. Steve presented a paper, "Farm Mortgage Volume: What is Available for Farmer Mac," coauthored with **Jim Ryan** (FSFA). The paper Doug presented was

"Potential Impact of Deposit Insurance Reform on Agricultural Banks."

Robert Collender presented "Production Economies and Inefficiencies in a Government-Sponsored Enterprise: The Case of the Farm Credit System" at the Financial Management Association meetings in Chicago on October 9-12, 1991. The paper measures production economies and inefficiencies for FCS associations. Both Production Credit Associations and Federal Land Bank Associations exhibit substantial scale economies throughout the range of the data. Inefficiency results are comparable to those for commercial banks, with inefficiency at high cost associations ranging between 4 and 44 percent of the efficient cost attained by low-cost associations.

Steve Koenig participated in the third annual meeting of the Farm Financial Standards Task Force held in Kansas City, MO, on November 16 and 17. The Task Force's recommendations for farm financial standards and reporting were released in July 1991, after nearly 3 years of work. Acceptance of the Task Force's recommendations has been very positive and implementation is already evident. Some 5,000 copies of the report have been distributed so far. Steve spoke on the changes being made to the Farm Cost and Returns survey to incorporate the recommendations.

The Annual Agricultural Outlook Conference, held in Washington, DC, in December, included two papers by the Section's staff. **Robert Collender** presented "Farm Credit System Outlook." The Farm Credit System is entering 1992 in a strong financial position relative to its condition in recent years. The loan portfolio has stabilized, and earnings and at-risk capital as a percentage of loans are at record levels. Tightened regulation and operating procedures mean these improvements are greater than simply comparing historical statistics would indicate. On the downside, nonperforming loans remain uncomfortably high and the system has failed to attain improvements in operating efficiency.

Douglas Duncan presented "Agricultural Bank Credit Outlook." The near term outlook is one of strong performance for farm banks which are currently highly capitalized and profitable. The potential problems in the near term include the possible additional regulatory burden imposed by recently enacted banking legislation, and the potential for yet another increase in the flat rate deposit insurance premium.

Briefings and Miscellaneous

Robert Collender and **Jerry Stam** briefed **Kenji Ozawa** from the National Research Institute of Agricultural

Economics of the Japanese Ministry of Agriculture (ERS's counterpart in Japan) on U.S. agricultural finance and the farm crisis of the 1980's.

Government and Development Policy Section

Research and Analysis

During fiscal 1992, the Section will be conducting five studies of specific rural development strategies: (1) employment and training programs, (2) retirement attraction, (3) higher education investment, (4) upgrading small town central business districts, and (5) technology development and diffusion. To help set the stage for these studies, on October 22, Dave Sears and Rick Reeder led a Section seminar on rural development strategy research. Dave discussed the overall strengths and weaknesses of recent rural strategy research, based on his and Norm Reid's findings for a *Policy Studies Journal* article. Rick discussed the methodologies he employed in his recently completed study of enterprise zones as a rural development strategy.

Papers Presented and Meetings Attended

Rick Reeder attended the September 6 meeting of the Policy Committee on Rural Tourism Development where John Sem (University of Minnesota) discussed his project on technical assistance to promote rural tourism. Products of this project include a workbook and a video that are now available to the public.

Tom Rowley participated in a conference on Telecommunications and Rural Economic Development in Dallas, TX, on September 26-27.

Anicca Jansen attended a three-day conference, "Multi-Community Collaboration: An Evolving Rural Revitalization Strategy," in Chicago, November 4-6. The conference, developed by the North Central Regional Center for Rural Development (NCRCD), was co-sponsored by ERS, the W.K. Kellogg Foundation, the Farm Foundation, and USDA Extension. The conference focused on the concept of small communities working together for economic survival.

Anicca presented findings from three case studies conducted over the past year by herself, Dr. Bev Cigler (Penn State University), Dr. Vern Ryan (Iowa State University), and Dr. Jack Stabler (University of Saskatchewan). Anicca also presented a framework for critically analyzing collaborative efforts and moderated

two panels: one on the policy implications of collaboration, and one on Native American examples of multi-community collaboration.

Speakers and conference attenders discussed the inevitability of collaboration, especially in the area of solid waste disposal. Conference participants -- who represented land grant universities; State, regional and local development organizations; and county extension agencies from the U.S. and Canada -- called for flexible federal and State/provincial policies which would facilitate, or at least accommodate, collaboration among communities.

Lorin Kusmin presented "Factors Associated with Economic Instability in the Rural U.S. Between 1979 and 1988" at the 38th North American Meeting of the Regional Science Association, held in New Orleans in November. Lorin found that, during the 1980's, earnings in nonmetro counties varied less around their trend growth paths in places where the local economy was less specialized. The degree of specialization was less important than the relative employment shares in stabilizing industries (government, services, and manufacturing) and destabilizing industries (agriculture and mining). Lorin also found that earnings were more stable where local wage levels were lower and that earnings were less stable in counties with higher concentrations of black population, professional employment, and where the percentage of all business establishments that were small had grown during the late 1970's. These findings were robust with respect to the use of a bounded-influence estimator and with respect to variations in regression techniques, including corrections for fixed regional effects and heteroskedasticity.

Peter Stenberg also attended the Regional Science Association Meeting in New Orleans. He presented the paper "Academic Institutions and Industrial Productivity Growth in the States," which examines the linkage between investment in higher education institutions and the region's economic growth. Peter found evidence indicating that higher education institutions do contribute to their region's economy. He also chaired a paper session on the economy of nonmetropolitan areas and served as a discussant on the issue of rural economies.

Briefings and Miscellaneous

In 1991, State Rural Development Councils were set up in 8 pilot State programs under the Presidential Initiative on Rural Development. These Councils, and several more to be established in 1992, are supported by an intra-federal government organizational structure based in Washington, DC. A series of three retreats,

held during October and November, assessed the organizational structure and suggested changes in the structure so that support for the State Council effort can be improved. As a result of the retreats, some significant changes were made in November and December 1991. **Dave Sears** was an active participant in all 3 retreats, and was a co-leader of one.

Anicca Jansen represented ERS at the "Working Consultation on Counties and States" organized by Dr. Bev Cigler, Penn State University, and held on September 12 in Harrisburg, PA. The day was spent in a round-table discussion of a variety of issues facing county governments in the 1990's. Topics discussed included local government finance and structure, mandates, revenue diversification, service delivery, increased citizen demand for efficiency, and rural versus urban government needs and problems. About 40 people from across the nation attended the meeting. Participants included representatives from State and local governments, academics, and professional staff and administrators from a variety of government-related groups.

John Redman traveled to Raleigh, NC, and Atlanta, GA, in October to talk with people about conditions and trends in the textile and apparel industries. In Raleigh, he was hosted by the Associate Dean of the College of Textiles, North Carolina State University. The College has just moved to a large new facility built with a combination of private and public funds. It has about 1,000 undergraduate and graduate students and tens of thousands of square feet of research facilities. Their ambition is to become a leading U.S. textile research center, working cooperatively with firms in the industry.

In Atlanta, John was hosted by the head of the Georgia Tech Research Institute's Apparel Manufacturing Technology research program. Both the Georgia and North Carolina programs also include industrial modernization efforts which work with in-state manufacturers to improve firm competitiveness.

John found little optimism that a quick "technological fix" will be sufficient to fully respond to the challenge posed by foreign competition in the apparel industry. Greater optimism was expressed about the competitive status of the textile industry. A rapid change in skill requirements associated with the newest generation of textile machinery is complicating the incorporation of these new technologies, however.

On October 23, **Dave Sears** presided over a seminar on rural economic development held at Trinity College in Washington, DC. The seminar was part of a course on the internship program of the Washington Center.

Dave Sears spoke to students and faculty at the University of Massachusetts in Amherst on November 7 on the role of State governments in stimulating rural development. This seminar was part of a series sponsored by the University's Department of Landscape Architecture and Regional Planning.

Personnel Actions

Carl Schroder spent the fall as an intern with the Section. His projects included preparation of a summary of recent major rural development policy research conducted outside ERS, and identification of sources for a county-level data file describing visual amenities--including water coverage and elevation extremes. In addition, he assisted **Dave Sears** with the Presidential Initiative on Rural Development and **John Redman** with his research of the textile and apparel industries. Carl attended Oglethorpe University in Atlanta at the time of the internship; he graduated in December 1991 with a degree in Economics. Inspired by his work experience at ERS, Carl has enrolled in graduate school for the spring 1992 semester to continue studying economics.

Rural Finance and Tax Section

Research and Analysis

Michael Compson and **Ron Durst** have submitted the paper "Farming the Tax Code after the Tax Reform Act of 1986" for consideration for publication. The paper examines the post-Tax Reform Act of 1986 relationship between marginal tax rates and the probability of reporting a loss and the level of losses reported on Schedule F. The study shows that marginal tax rates are no longer significant in determining the incidence and level of farm losses reported by individuals with high nonfarm income.

Current tax research also includes an analysis of the 1987 and 1988 IRS Individual Public Use Tax Files. This research will examine a variety of income and tax variables. It will also provide insight into the levels and trends of various income and tax variables in light of the changes that have occurred in the farm economy and the tax code.

Jim McGlone is currently working on an article for the annual *Financial Institutions and Markets* supplement to *Rural Conditions and Trends*. He uses data from surveys of the members of the National Federation of Independent Businesses to compare rural and urban credit markets during the period 1983-87. This is a particularly interesting period since it covers a full

business cycle. What emerges from the analysis is a picture of credit markets going from a torpid state in 1983, to a very dynamic state in 1985, to a somewhat staid state, but with a high level of activity in 1987. Throughout the period, rural interest rates were higher than urban rates, but the difference shrank as the recovery proceeded. In spite of the difference in interest rates, rural businesses consistently gave their banks higher marks in 9 areas of service, including providing "cheap" money and a reliable source of credit.

Papers Presented and Meetings Attended

Jim Mikesell presented "Loan Specialization of Local Banks in Rural Markets" at the 38th North American Meeting of the Regional Science Association International, held in New Orleans on November 7-10. This study found evidence that, when faced by competition from branches of large banking firms, local rural banks tend to specialize in particular lending activities.

Michael Compson and **Ron Durst** attended the National Bureau of Economic Research Conference on "Tax Policy and the Economy" held in Washington, DC, on

November 19. Attendees at the conference included tax specialists from throughout the Federal government as well as the private sector. Papers examined such topics as savings incentives, corporate tax rates, a carbon tax and its impact on U.S. competitiveness, and Federal taxation and inequality issues.

Briefings and Miscellaneous

Ron Durst met with representatives from the Federal Ministry of Economic Affairs of Czechoslovakia. Ron provided an overview of the U.S. tax structure, the relative importance of various taxes in terms of their share of total receipts, and their impact on farmers.

Jim McGlone served as the coordinator for ERS's 1991 Combined Federal Campaign (CFC). ERS's campaign was an unqualified success. The CFC raised \$110,883.64, or \$171.38 per person at ERS. This qualified ERS for the Presidents award, the top award granted by the national CFC. Moreover the generosity of the people here at ERS will mean that the lives of many less fortunate people will be better. Jim would like to thank the keyworkers who helped him in this effort and those of you who gave to the CFC.

Human Resources and Industry Branch

View from the Branch

By David McGranahan, Branch Chief

New Departmental initiatives combined with a limited budget have resulted in a reduction of resources available for a number of ERS activities, including rural development research. As a consequence, the size of the Branch was reduced, with the Income and Well-Being Section (IWB) being disbanded. Section Head **Peggy Ross** has moved to the Director's Office where she will work on special projects, including the development of a new typology of rural counties. Senior Economist **Bob Hoppe** has shifted to the Farm Firm and Household Well-Being Section of the Farm Sector Financial Analysis Branch, where he will be analyzing the relationship between farm household well-being and the characteristics of the areas where farmers live. **Linda Ghelfi** and **Liz Dagata** are now in the Rural Labor Section, which is expanding its work on earnings. Linda also continues as Editor of Rural Conditions and Trends. **Deborah Tootle** has shifted to the Rural Industry Section, becoming involved in a new project on the changing organization of manufacturing and its

consequences for rural areas and people. **Donald Bellamy** finished up his work on low-income counties and has moved to the Farm Firm and Household Well-Being Section in the Farm Sector Financial Analysis Branch, where he will work on income distribution in the agricultural sector.

The Branch will necessarily devote fewer resources to income and poverty research than in the past. Some key issues, however, will continue to be addressed by researchers in other Sections. Changes in income distribution in this country, for instance, appear to stem largely from changes in both family structure and earnings patterns. The importance of these changes for rural areas is being analyzed by the Population and Rural Labor Sections, respectively.

The disbanding of a research group is a trying experience for its members. Work they had thought important to the Department appears to be not as high priority. Collaborations developed over years become difficult to maintain. New supervisors need to be figured out. Each and every member of the IWB Section has been gracious and understanding of the

situation, which has made the elaboration of their new niches a productive endeavor.

The reorganization and associated moves have meant baptism under fire for **Sylvia Coltrane**, our new Branch Office Manager, and **Linda Franklin**, our new Office Automation Assistant. Both **Tawanta Brinson** and **Tonya Sullivan** moved on this fall. Tawanta found a better paying job with FDIC. Tonya, who is about to finish up her BA in Social Work, is now an intern at the Federal Marshall's Office. We wish them all the best. With Linda's help, Sylvia is now putting order in our lives, by running the administrative side of the Branch.

Diane Bolbach, a recent Clemson graduate, has joined the Branch Office as an Economist. She will assist Senior Branch staff in their research programs as well as develop her own projects. At present, Diane is helping to develop the database for our research on rural natural amenities.

Branch Office

Publications

A bibliography of ARED's work on rural development from 1984 to the present has been compiled. Copies are available from **Sylvia Coltrane**, Branch Office Manager, at 202/219-0532.

Education and Rural Economic Development: Strategies for the 1990's (Staff Report No. AGES 9153) was released in September. It contains chapters by several Branch members -- **Linda Ghelfi**, **Dave McGranahan**, **Tim Parker**, **Paul Swaim**, and **Ruy Teixeira**, as well as **Molly Killian** (OD). They find that education's potential as a rural development strategy is limited. The education levels of the local workforce in rural areas had little effect on rural job growth during the 1970's and 1980's. Also, without improvement in local rural jobs, attempts to raise local rural educational levels are likely to be frustrated by continuing outmigration of the better educated young adults.

"The Rural Poor: The Past As Prologue," a book chapter by **Kenneth L. Deavers** (OD) and **Robert A. Hoppe**, was recently published in *Rural Policies for the 1990's*. **Cornelia B. Flora** and **James A. Christenson** edited and Westview Press published the book. The authors discussed the characteristics of the rural poor and examined possible program changes to benefit different groups of rural poor. They did this in the context of basic beliefs about the poor that have influenced existing welfare programs and that will continue to have a strong influence on future programs. These beliefs are important because any proposals for

welfare reform that ignores them are unlikely to be accepted by lawmakers or the public.

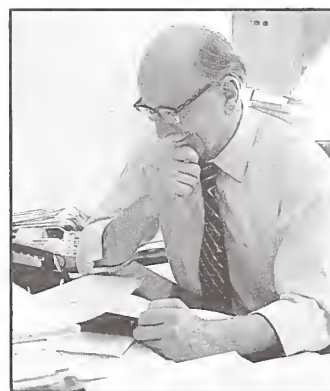
Papers Presented and Meetings Attended

In November, **Calvin Beale** spoke on current rural and small town trends at the annual meeting of the Council on Agricultural Research, Extension, and Teaching (CARET). CARET is an organization founded about 10 years ago to support the programs of the land grant colleges of agriculture. Local officials and community leaders, agricultural producers, and university officials comprised the majority in attendance. A recurring theme from county officials was the growing financial burden imposed on local governments by unfunded programs or actions mandated from the State or Federal level.

David McGranahan presented a paper November 20 to the National Public Lands Advisory Council on demographic and economic trends in the West as they related to Bureau of Land Management lands. **Calvin Beale** and **Tim Parker** were David's co-authors. In general, populations are expected to decline in BLM areas except those with a favorable climate or near large cities. It appears that the people resident in these areas will be increasingly dependent on or interested in these resources more for their amenity value than for agricultural, mineral, or forestry exploitation.

David McGranahan presented, "Can the Rural Economy Be Competitive: Lessons from the Data," at the Annual Agricultural Outlook Conference on December 5, 1991. Given in Under Secretary **Roland Vautour's** session on rural development, the paper argues that the rural economic problems of the 1980's were not a return to the problems of earlier decades, but represent a new set of challenges. In the US, at least, the new, hi-tech, global economy of the 1980's was an urban economy in which many rural areas have not yet developed niches.

Briefings and Miscellaneous



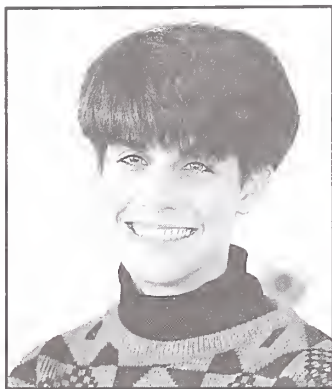
Calvin Beale

Calvin Beale was made an Honorary Fellow of the Population Reference Bureau at their 62nd Annual Awards Dinner in Washington, DC, on October 31. Calvin was honored for his "outstanding contributions to increased understanding and awareness of population issues." **Peter**

Morrison of the RAND Corporation presented the award.

In November, **Dave McGranahan** attended the organizing meeting of the Interagency Social Dynamics Subgroup of the MARS (Mitigation and Adaptation Research Strategies) Working Group on Global Change. The group's focus is to identify Federal social science (other than economics; it is covered by its own group) research priorities relating to climate change. Representatives from DOL, USGA, NOAA, HUD, NIH, FS, APHIS, and the Smithsonian were in attendance.

Personnel Actions



Diane Bolbach

Diane Bolbach began work for the Office of the Branch Chief on November 18, 1991, as an Agricultural Economist. In May 1991, she received her B.S. in Agricultural Economics and Rural Sociology from Clemson University in Clemson, SC. While there, she worked for Palmetto Leadership, a South

Carolina extension program for community development. Diane grew up in Fairfax, VA, where she is currently residing. Her outside interests include Christian Iconography, biking, reading, and camping. Last summer, Diane spent 10 weeks in the Republic of Korea on a volunteer short-term program of the Presbyterian Church (U.S.A.).



Sylvia Coltrane

Sylvia Coltrane joined the Office of the Branch Chief on December 1 as the Branch Office Manager. She had been working at the Office of the Inspector General, USDA.

Also on December 1, **Linda Franklin** transferred into HRI from the National Economic and History

Branch (NEH). Linda is the new Office Automation Assistant, replacing **Tonya Sullivan**, who went to work at the Federal Marshall's Service.

Population Studies Section

Research and Analysis

Paul Frenzen is writing a chapter for the Nonmetro Minority monograph project describing the health status of rural black Americans. He examines mortality and morbidity patterns during the 1980's. Blacks who lived in the rural South had higher death rates from stroke and accidents than whites or other blacks. They were also most likely to report high blood pressure, and to assess their own health as fair or poor.

Publications

An article on differences in off-farm earnings and labor force participation between metro and nonmetro farm couples, completed by **Felicia LeClere** while she was working in the Population Section, has been published in the Fall 1991 issue of *Rural Sociology*. One of the main findings was that, while nonmetro farm couples made higher farm earnings, metro farm couples were more likely to participate in the off-farm labor force and have higher off-farm earnings, resulting in higher overall earnings. These residential differences remained for both husbands and wives after personal and spousal characteristics were taken into account, but were greater for husbands than wives.

Papers Presented and Meetings Attended

Linda Swanson was the ERS delegate at a meeting of the Native American Working Group in September. The group met with leaders of the Intertribal Agriculture Council to discuss the progress made by USDA, Bureau of Indian Affairs, Environmental Protection Agency, and others in fulfilling Congressional and Administrative mandates involving American Indians' and Alaska Natives' agriculture.

Carolyn Rogers represented ERS at the November meeting of the Interagency Forum on Aging-Related Statistics, held at the Census Bureau, Suitland, MD.

Linda Swanson, John Cromartie, and Molly Killian (OD) attended a special meeting of the Federal Executive Committee on Metropolitan Areas in November. Four proposals commissioned by the Metropolitan Concepts and Statistics Project (MCSP) were presented and discussed. The MCSP, also called Metro 2000, is concerned with basic concepts and alternative approaches for the identification of metro and nonmetro areas.

Paul Frenzen participated in several meetings of the Current Population Survey (CPS) health insurance data users group this Fall. The Census Bureau is revising

the March CPS questionnaire to improve its data on health insurance coverage, and formed the data users group to obtain outside advice. The March CPS is the most important regular source of data on the insured and uninsured populations.

Carolyn Rogers presented a paper, "Health and Social Characteristics of the Nonmetro Elderly," at the annual Outlook Conference in December 1991. The presentation examined the health status, social characteristics and living arrangements, and health care service use of the nonmetro elderly and compared them with the metro elderly. The study focused on characteristics that differentiate the nonmetro elderly from the metro elderly in terms of self-reported health status, health conditions and impairments, functional limitations, family structure and living arrangements, social and community support networks, social and economic well-being, and the utilization of health care services. The research is based on the 1984 Supplement on Aging (SOA) to the National Health Interview Survey (NHIS). The presentation is part of a larger study that will be produced as a staff report.

John Cromartie and **Laarni Dacquel** attended an all-day workshop titled "An Introduction to 1990 Census Products." Among the topics covered were Census Geography, the content of Summary Tape Files 1-4, and the replacement of data suppression with confidentiality edits.

Briefings and Miscellaneous

Carolyn Rogers is an active member of the Work Group on Older Americans in Rural Areas, formed in March 1991 as part of the Interagency Forum on Aging-Related Statistics. The purpose of the work group is to develop an informal briefing on the rural elderly for the Senate Aging Committee and staff, as well as members and staff of other Committees. Carolyn is responsible for preparing reports on the health and nutritional status of the nonmetro elderly, and also on population age composition by residence, race and region for 1980 and 1990. The work group is finishing charts and text for presentation and publication. Carolyn will be presenting the section on population at the briefing slated for January or early February 1992.

Rural Industry Section

Research and Analysis

Andy Bernat, **Deborah Tootle**, and **David McGranahan** (HRI) have begun analyzing Census of Manufacturing data in an investigation of how the nonmetropolitan manufacturing sector changed during the 1980's. The six-month project is being carried out under contract with the Center for Economic Studies (CES), Bureau of the Census. In the initial phase of the project, CES will provide detailed industry data from the 1977 and 1987 Censuses of Manufactures aggregated by nonmetropolitan and metropolitan areas within each State. Because none of the data is suppressed, as is the case with published data, it will be possible to construct estimates of manufacturing output, capital expenditures, and other important economic variables for nonmetropolitan areas.

Martha Frederick is finishing an annotated bibliography on tourism development as a rural economic development tool. Recent literature, both for and against such a strategy, is presented, including case studies. It is now in the review process and should be released this spring.

Merritt Hughes has recently completed a paper titled "Capital Valuation and Real Production: A General Equilibrium Approach." Using a flexible price, stochastic framework, the paper identifies multiple channels through which finance affects real production and consumption.

Publications

The November, 1991, issue of *The Journal of Regional Science* published the first of a two-part paper by **Merritt Hughes**. The article is titled "General Equilibrium of a Regional Economy with a Financial Sector, Part I: An Accounting Framework with Budget and Balance Sheet Linkages." "Part II: A Simple Behavioral Model" will appear in the February issue of the journal.

In December, an article by **Jim Miller** and **Bruce Phillips** (Small Business Administration) was published in *Rural Economic Development*, edited by Norman Walzer and published by Praeger Publishers. The article is titled "Patterns of Industrial Growth in Metropolitan and Nonmetropolitan Counties in the Midwest."

Papers Presented and Meetings Attended

Merritt Hughes presented "Rural-Urban Expansion: General Equilibrium with Financial Sectors" at the Second Waterloo CGE Modelling Conference at the University of Waterloo, October 26th. The analysis, conducted using a two-region, fixed price model, illustrates how the effectiveness of economic development policies depends on the type of region at which the policy is aimed. The policies targeted at a specific region are also shown to have potentially significant impacts on the adjacent economic region. Also at the Waterloo conference, "Formulation and Computation of General Financial Equilibrium," coauthored with Anna Nagurney and Qiong Dong (both of the University of Massachusetts--Amherst), was presented.

On November 8, **Michael Lahr** and **Robert Gibbs** (HRI) presented a paper titled "Job and Residence Moves: A Spatial Multinomial Approach" at the North American Meetings of the Regional Science Association in New Orleans. They used the logits to express hierarchic levels of space (county, labor market, Census Region, nation) and consequently to test how access to information affects the lengths of moves that people make. Specifically, they demonstrated that, all else the same, people from rural areas move shorter distances hierarchically than do urban dwellers, which implies that rural areas have an information disadvantage compared to urban areas. Robert and Mike made this test using a method that has, to their knowledge, not been previously applied. This technique allows for testing various linear combinations of the logits in a multinomial model through the redesign of the contrast matrix for the dependent variable.

Briefings and Miscellaneous

In October, **Jim Miller** briefed a six-member Mozambique Study Mission on small business programs and small business growth trends in rural areas of the United States. The study mission, made up of representatives of both the government and private sectors, wanted to learn more about how a small business can contribute to a successful transition from a socialist to a free enterprise system. The briefing was hosted by the Foreign Agricultural Service, USDA.

Jim Miller met with U.S. Small Business Administration officials in November to order new data tabulations. The data will be used in a joint research project with Amy Glasmeier (University of Texas), who is in Washington, DC, on a Ford Foundation project with the Aspen Institute.

Personnel Actions

Michael Lahr

Michael L. Lahr joined the Section as a Regional Economist in October. He was born and raised in rural sections of metropolitan counties in southeastern Pennsylvania. Mike has a B.A. and M.A. degrees and soon will have a Ph.D., all in Regional Science from the University of Pennsylvania. Mike and

Robert Gibbs (HRI) just finished co-teaching a course at Penn titled "Topics in Discrimination." Mike has also been a Lecturer in the Growth and Structure of Cities Program at Bryn Mawr College, the Assistant Editor of the *Journal of Regional Science*, and a Research Associate at the Regional Science Research Institute in Peace Dale, Rhode Island. Prior to entering the Ph.D. program at Penn, Mike worked at Battelle in Columbus, Ohio, for five years. He now resides in Alexandria, VA, with his wife, Martha, and son, Truman.

Deborah Tootle joined the Rural Industry Section in December. She had been a member of the Income and Well-Being Section. Her research focus will be on how changes in industrial structures affects rural areas. She will also continue her work on the role of local industrial structure in determining the well-being of rural Native Americans for the rural minorities monograph project.

Rural Labor SectionResearch and Analysis

Tim Parker has been working on a project to develop seasonally adjusted employment and unemployment estimates for metro and nonmetro areas, in an effort to develop more timely estimates for *Rural Conditions and Trends*. Tim has calculated a historical series of seasonally adjusted Current Population Survey (CPS) and Bureau of Labor Statistics (BLS) data using a statistical procedure called X-11 ARIMA (Auto-Regressive Integrated Moving Average). This procedure is the same one used by the BLS to seasonally adjust their published labor force statistics at the national level. For metro and nonmetro areas, however, Tim has developed adjustments to the BLS procedure to account for the gaps in the availability of nonmetro data and the smaller sample size. Preliminary analysis of the seasonally adjusted data suggests that

they can provide reliable and timely estimates of rural labor market trends.

Robert Gibbs is studying changes in the occupational structure of rural southern blacks during the 1980's. The combined effects of a slow-growth rural economy and the transformation of the national economy toward services seem to have stalled the historical convergence of black and white male job status. Black women, on the other hand, have fared better, experiencing a continuing shift out of low-status service work (especially domestic help) into sales and administrative support jobs. Final results will be published as a chapter in an upcoming ERS monograph on the status of rural minorities.

Robert Gibbs has continued his research on the labor market causes and effects of migration from rural areas, some of it with **Michael Lahr** (HRI). Using a two-stage least squares regression model, Robert found that both the amount of time spent in the job search and the wages earned by interregional migrants at the destination are affected by the region of origin. Rural southerners, especially southern blacks, who move to urban and nonsouthern places tend to accept lower paying jobs and spend less time searching for work than other migrants, after controlling for human capital levels. The results suggest that workers' early labor market environment is important because it affects long-term well-being regardless of future residence and job choice. This analysis is reported in a paper entitled "The Information Effects of Origin on Migrants' Job Search Behavior" that has been submitted for publication in the *Review of Regional Studies*.

Publications

"The Distribution of Economic Losses Among Displaced Workers," by Paul Swaim and Michael Podgursky (University of Massachusetts) appeared in the Fall issue of *The Journal of Human Resources*. In this paper, Paul and Mike analyze the use of cross-sectional and retrospective data from the Current Population Survey to model individual labor market histories following job loss. They show that an earlier study, which failed to adjust for measurement error and sample selection bias, reached invalid conclusions concerning the size of earnings losses following displacement.

Paul Swaim and **Michael Podgursky** also completed final revisions on, "To Search or Not to Search: Female Labor Supply Following Job Displacement," which will appear in the first 1992 issue of the *Eastern Economic Journal*. This paper shows that approximately 15 percent of the "working age" women losing full-time jobs drop out of the labor force for an extended period

of time. A split-population survival time model is developed. The model produced estimates of both the post-displacement labor force participation decision and unemployment durations for women choosing to search for a new job. Many of the economic conditions and personal factors associated with dropping out of the labor force are shown to differ from those associated with long spells of unemployment, although less educated women experience above-average amounts of both forms of joblessness.

Papers Presented and Meetings Attended

Robert Gibbs and **Michael Lahr** (HRI) presented a paper entitled "Job and Residence Moves: A Spatial Multinomial Approach" at the North American Meetings of the Regional Science Association in New Orleans on November 8, 1991.

Personnel Actions

Ruy Teixeira is on leave from ERS until March, 1992. During this period, Ruy is in residence at the Brookings Institution, where he is writing a book on the problem of low voter turnout in the United States. The book will be published by Brookings in the fall of 1992. Ruy's research on the adequacy of workers' skills, which he has temporarily set aside, continues to attract attention. In October, Ruy and his collaborator Larry Mishel (Economic Policy Institute) debated **Arnold Packer** -- author of the widely discussed *Workforce 2000* study -- at American University.

Liz Dagata and **Linda Ghelfi** joined the Rural Labor Section in December. Both had been members of the Income and Well-Being Section and will continue to study trends in rural employment and earnings. Linda will also continue to edit *Rural Conditions and Trends*.



Beef cattle near Sparta, WI

Agricultural and Rural History Section

Research and Analysis

The Section initiated an oral history program in 1991. Members of the Section are conducting interviews with individuals who have been involved with agriculture or rural life, either as leaders in such areas as politics and policy-making, technology, research, business, and journalism, or as farmers and residents of rural communities. One group being interviewed is outgoing USDA officials, including our own Assistant Secretary Bruce Gardner. Rural development will also be an area of special focus in conjunction with the Section's history of rural development policy. The interviews are on cassette tapes and will be indexed for use by Section staff and others researching agricultural and rural history. To date, ten interviews have been recorded and several more will be conducted in the next few weeks.

A spinoff from the oral history program is Anne Effland's book, *The C. F. Stewart Sharpe Papers: A Register of His Papers*. It is a guide to the records collected about research programs of the Soil Conservation Service during the 1930's. These records have been donated to the National Agricultural Library, who will publish the guide. The book is based partly on an oral history interview conducted with Sharpe in June.

Papers Presented & Meetings Attended

Joel Schor attended the meeting of the Association for the Study of Afro-American Life and History in Washington, DC, on November 1-3, 1991. He distributed copies of his bibliography on *Blacks in American Agriculture, 1619-1981* to scholars and colleagues.

Anne Effland attended the conference, "Re-Examining the American Frontier: The Eighteenth-Century Backcountry," October 11-12, at Shenandoah University in Winchester, VA. With the goal of examining past and current scholarship on the eighteenth-century Appalachian frontier, the conference was designed as a forum in which speakers and audience together discussed what theories and methodologies could best guide this research in the future. Topics included the use of maps in understanding eighteenth-century notions of the frontier, political and cultural conflict on the frontier, and methods for cooperative research between social scientists and natural scientists to determine the environmental and historical circumstances surrounding early frontier settlements.

Briefings and Miscellaneous

Lowell Dyson prepared a staff report on the past and current philosophy of the American Farm Bureau for both the Secretary of Agriculture's Office and for the White House. Information from the report will be used in talks by both the Secretary and the President at the next Farm Bureau Convention.

Macroeconomics Section

Research and Analysis

Karen Hamrick is working on several research projects on nonmetro unemployment. One project concerns the asymmetry of movements in the unemployment rate over expansions and recessions. The national unemployment rate has been observed to increase more rapidly in a recession than it decreases in an expansion. Karen is currently testing for the existence of this kind of asymmetry in both metro and nonmetro unemployment rates. In addition, Karen will extend this research to the adjusted unemployment rate, which includes part-time workers who want a full-time job, and discouraged workers.

Paul Sundell and Mark Denbaly are working on forecasting long-term Treasury bond rates, which underpin private long-term agricultural interest rates. The work stresses the importance of known and unexpected information in determining changes in long-term bond rates. The increased substitutability of foreign and domestic bonds in the determination of long-term bond yields was found to be significant in the determination of Treasury bond yields in the 1980's. A staff paper is forthcoming.

Paul Sundell is researching the determination of short-term, non-real estate farm loan rates at large and small banks. He has found that small banks generally price their short-term farm loan rates on an average cost of funds basis, while large banks price their loans on the marginal cost of fund loan pricing. In addition, farm loan rates at agricultural banks are more sensitive to specific agricultural risk variables and agricultural bank profitability than are farm loans made at large banks. Large bank farm loan rates were found to be influenced more by general business credit risk conditions. Paul points to differences in loan diversification between small and large banks and differences in competitive market pressures as being primarily responsible for the differences in loan pricing. Preliminary research will be

presented in the February 1992 *Agricultural Income and Finance Report*. A more detailed staff report will be available in the spring of 1992.

Mark Denbaly, Ron Babula, (NEH) and David Bessler (Texas A&M University) have been comparing the forecasting accuracy of vector-autoregression and error correction models for cotton prices. Mark also developed a SAS program, available by request, that performs the Johansen test procedures. In addition, he has been testing whether or not agricultural commodity markets are "efficient." If markets are not efficient, the opportunity for making riskless profit exists. Mark hopes to present his research at the Western Economic Association Meetings in July 1992.

Papers Presented and Meetings Attended

Karen Hamrick represented ERS on the organizing committee for the annual Federal Forecasters' Conference, held in Washington, DC, on September 12. It was a big success, with over 250 registered attendees.

For copies of the Proceedings of the Fourth Annual Forecasters' Conference or the Forecasters' Directory, contact **Karen Hamrick** (202) 210-0782.

Ralph Monaco presented a paper titled "Developing an Effective Forecasting Program: An Economic Approach," at the Federal Forecasters' Conference.

Ralph Monaco spoke to the Washington Statistical Society in October on "Prospects for the Economic Recovery", along with Christopher Probyn of Data Resources Incorporated (DRI). At that time, both Ralph and Chris agreed that an economic recovery had begun in the Spring and that the economy would grow between 2.5 and 3.5 percent in 1992. Since then the economy has weakened somewhat and those forecasts look a little optimistic. Ralph and Chris agree that inflation would continue to be modest and that interest rates would continue to fall into early part 1992.

Jennifer Beattie and David Torgerson attended the Energy Information Administration's (EIA) annual symposium on short-term energy forecasting on November 21 in Crystal City, VA. The EIA outlook for the winter called for modest heating oil price increases. Shortages of heating oil are a remote possibility. The 1992 EIA forecast of the crude oil Refiners' Acquisition Cost (RAC) of \$20 per barrel was quite close to that used by other forecasts of heating oil prices. In the last several years, diesel fuel and heating oil prices have moved in a pattern similar to spot crude oil prices. Copies of some of the conference materials are available from Dave or Jennifer.

Briefings and Miscellaneous

Karen Hamrick organized a media workshop for employees of ARED. The purpose of the training was to help participants communicate ideas more effectively to journalists. The four-sessions of the workshop were held between October 22 and November 12. Marci Hilt of the USDA Office of Public Affairs led the workshop sessions, which included a general discussion of the problems and pitfalls that researchers face when dealing with the media, techniques for getting points across more effectively, and practice interviews. Both **Karen** and **Ralph Monaco** attended the workshop.

Personnel Actions

Linda Franklin left the section to join the Human Resources and Industry Branch in December. Linda joined the Section in 1986 as the Section Secretary and later became an Office Automation Assistant in the NEH branch. While the section is happy that Linda is still a part of ARED, and we wish her good luck; we'll definitely miss her many contributions to the Section.



Jennifer Beattie

Jennifer Beattie joined the Section as an Economist on October 21. She finished her B.A. at American University in International Relations and Economics last spring. She grew up in Grand Rapids, MI, and moved to Washington, DC, for college. She will assist **Ralph Monaco** in situation and outlook

work, which includes preparing the monthly forecast and writing articles for the *U.S. Agricultural Update*, *Agricultural Outlook*, and *Rural Conditions and Trends*. Her personal interests include studying foreign languages, playing basketball, and dancing.

National Aggregate Analysis Section

Publications

The latest issue of *Economic Systems Research*, the journal of the International Input-Output Association, contains six selected papers from the conference, "A SAM for Europe," held in Valencia, Spain in September, 1990. One of these papers is "Data, Linkages, and Models: US National Income and Product Accounts in the Framework of a Social Accounting Matrix" by **Kenneth Hanson** and **Sherman**

Robinson. The article maps the national income and product account into a social accounting matrix (SAM), which is an intermediate step necessary to have a SAM-based computable general equilibrium model. The paper turns out to be at the cutting edge of social accounting matrices presented from a modeler's perspective.

A paper by **Ron Babula** was published in the *Proceedings of the 1991 Meetings of the South East Institute of Management Science*. The meetings were held in Myrtle Beach, SC, on Oct. 3-4, 1991. Babula's paper, "Dynamic Interactions Among U.S. Employment and Selected Unemployment Measures: An Urban-Rural Comparison" used quarterly vector autoregressions to map the dynamics of how expansions in U.S. employment have historically influenced changes in the size of selected jobless and partially jobless groups (ie., discouraged workers and involuntary part-time workers) in urban and rural areas. The dynamic aspects the response of these jobless groups include urban and rural reaction times, directions, durations, and strength of such responses. In general, increases in national-level employment produces stronger and more enduring responses in groups of urban discouraged and involuntary part-time workers than among the same groups in rural areas.

Sectoral Effects of a World Oil Price Shock: Economywide Linkages to the Agricultural Sector (ERS Staff Paper 9156) by **Kenneth Hanson**, **Sherman Robinson**, and **Gerald Schluter** analyzes the effects of a world oil price shock on U.S. agriculture in an economywide environment. The authors use an input-output model to analyze the direct and indirect cost linkages between energy and other sectors of the economy. Then, to allow sectoral output adjustment and the effects on the U.S. current account, they use a Computable General Equilibrium (CGE) model to analyze the sectoral effects under three different macro adjustment scenarios. While the direct and indirect energy cost matter, the effects on agriculture are determined by other variables as well, including exchange rates, foreign borrowing adjustments to higher oil import costs, and government support programs for agriculture.

Papers Presented and Meetings Attended

Ron Babula presented a paper at the Federal Forecasters' Conference in September. Titled "Using Dynamic Interactions to Aid Forecasts: The Case of Selected Urban-Rural Employment Measures," it describes interactions between urban and rural employment rates.

Gerald Schluter chaired one session and discussed two papers at the Thirty-Second International Conference of

the Atlantic Economic Society held October 3-6, in Washington, DC.

Gerald Schluter attended the 1991 International Conference on the Classification of Economic Activity as an ERS co-representative. The conference explored the need for a revision in the Standard Industrial Classification Manual. There was much agreement that a major overhaul was needed, but less consensus about the nature of the desired revision. The Office of Management and Budget feels a major revision requires special information to be collected in the 1997 Economic Censuses, which effectively delays a major revision to 2002. Many participants felt this was too long to wait. Copies of papers presented are available from Gerald in Room 912 or at 202/219-0785.

Kenneth Hanson and **Tom Hady** attended the International Agricultural Trade Research Consortium's Annual Meeting, December 12-14, 1991, in New Orleans. The meeting highlighted Applied General Equilibrium analysis of trade liberalization. Papers focussed on the contributions of CGE analyses to policy reform and in applications to the North America free trade agreement.

In October, **Bill Edmondson** visited the campuses of the Universities of Maryland Eastern Shore, North Carolina A&T, Prairie View in Texas, and Langston in Oklahoma. The visits were in conjunction with introductory seminars conducted in the use of the IMPLAN modelling system at the 1890 land grant institutions. The seminars were organized by Dr. Eric Siverts and Dr. Aurelia Harris of the Forest Service. Bill explained the ERS contribution to the publication of the national Input-Output tables and answered questions about the agricultural accounts.



Country church near Wilton, WI

EDITOR'S NOTES

Home Town Visit

By Martha Frederick, Editor

I am your *ARED News* editor for the next few issues. The former editor, Felice Marlor, moved to Stockholm, Sweden last fall. I can be reached at 202/219-0540.

One of my goals is to get the all the files and information about the newsletter in order. Your help is needed to update our mailing list. Enclosed is a mailing and interest list update. Please take the time to fill this out and return it.

The photos in this issue are of Monroe County, Wisconsin. I grew up in Sparta, its county seat, and visited there last July for my 20th high school reunion. It was my first summertime visit in nearly a decade and my first since becoming a researcher of rural tourism development.

Sparta has changed in the last several years. A Wal-Mart store opened on the edge of town, along with several other chain stores. Downtown businesses suffered and closed. Perhaps as a result, a Main Street Committee formed to revitalize the downtown, with some success so far. Historic preservation efforts are underway. They include a walking tour of Sparta's historic buildings and homes. Two festivals are held annually and are crowd-drawing successes. The first is the Butter Celebration in June, which includes carnival rides, a cow milking contest, and a large parade. The SpartaQuest Winter Fest is held in February. It features nationally sanctioned sled dog races, snow golf, snow softball, snow volleyball, and a "Bicycle Blizzard" race among its activities.

Other visible changes in my home town include expansion of the municipal golf course from 9 to 18 holes, the expansion of city parks and softball diamonds, and the expansion and remodeling of the public library.

Tourism is being developed in Monroe County. Sparta is a terminus for the Elroy-Sparta State Bike Trail and the LaCrosse River State Bike Trail. The Elroy-Sparta Trail was the first in the country built on abandoned train right-of-ways, 32 miles of former Chicago-Northwestern railroad bed. It passes through three rock-tunnels in the unglaciated part of Wisconsin, a particularly rugged and hilly part of the state. According to a 1988 University of Wisconsin-Extension study, the per person expenditure for the Elroy-Sparta Bike Trail users was \$25.14. Together, the two bike trails bring nearly 90,000 visitors to Monroe County each year.

Bed and breakfast establishments have opened in Monroe County in response to the needs of the visitors (one is owned by my mother's cousins). Antique shops are proliferating and doing well. Amish crafts can be purchased directly from the many Amish farms in the southern part of the county or in shops. In short, there is a direct and growing entrepreneurial response to bicycling tourism in Monroe County.

The natural beauty of Monroe County is a major factor in its growing tourism industry. The hills, rivers, farms, and small towns truly are lovely. Last summer I noticed that Sparta is on the edge of the habitat for birch trees. South of town, they are not found and they become more prevalent the further north of town you go. This is not an earth-shattering observation, I admit, but it was a pleasing discovery.

In all, my hometown and county seem infused with more civic pride and activism than I remember. My now outsider's opinion is that the area is a fine vacation destination and probably a good place to live.



Martha Frederick

"... a Main Street Committee formed to revitalize the downtown ... Historic preservation efforts are underway."

"... tourism is being developed..."

"There is a ... growing entrepreneurial response to tourism ..."

"... my hometown and county seem infused with more civic pride and activism ..."

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